DERBYSHIRE COUNTY COUNCIL

Agenda Item 6

Rep 718

SCHOOLS FORUM

6 November 2017

Report of the Strategic Director for Children’s Services

Minimum Funding Guarantee and Minimum Per Pupil Funding Disapplications

1. Purpose of the Report
2. To seek the Schools Forum’s support to make changes to the Minimum Funding Guarantee (MFG) calculations for 2018-19; and
3. To seek the School Forum’s support to vary the calculation of the per pupil minimum funding level for schools for 2018-19.
4. Information and Analysis

2.1 Minimum Funding Guarantee

Local authorities will be allowed to set a pre-16 minimum funding guarantee (MFG) in their local formulae, to protect schools from excessive year-on-year changes in budget, and to allow changes in pupil characteristics (for example, reducing levels of deprivation in a school) to flow through. For 2018-19, the DfE are allowing greater flexibility and local authorities will be able to set an MFG of between plus 0.5% and minus 1.5% per pupil. Local authorities will need to consult on the level of the MFG, as with the rest of the formula. The 2018-19 MFG rate is one of the issues on which the Authority is seeking views from schools as part of the mainstream formula consultation.

The structure of the MFG calculation is largely unchanged with several factors (lump sum, sparsity, rates) being automatically excluded from the protection arrangements.

Any changes outside of these core adjustments require the approval of the Secretary of State for Education and any applications need to be with the DfE by 30 November 2017 at the latest.

There are two issues affecting funding in Derbyshire for which the Authority would wish to make an application to the DfE.

1. PFI Adjustment (Bolsover Academy)

It became apparent in 2016 that the Council was, in effect, subsidising the PFI contracts in respect of Springwell and Bolsover schools from its own resources, the annual subsidy being £0.600m per year. In order to ensure that the Authority met the DfE’s requirements, namely that the full contract costs must be delegated through the formula, the Authority agree to increase the PFI Allowance element of the formula. However, the change for Bolsover, as an academy, didn’t take effect until September 2017 meaning the cost in 2017-18 was £0.475m.

For 2017-18 the £0.475m was added to the relevant schools’ budgets and, in order to ensure the schools received the full increase, the amounts were excluded from the MFG calculations. The DfE agreed to this adjustment for 2017-18 and a further application now needs to be made on behalf of Bolsover Academy in respect of the residual £0.125m payable for 2018-19.

1. Replacement Education Services Grant (ESG) funding

In 2016 the government announced that the Education Services Grant (ESG) would cease from 31 August 2017. In order to help offset the short term impact on schools and services, the Schools Forum at its meeting in January 2017 supported the delegation of additional funding to schools through the formula, funded from DSG reserves. Specifically, £1.804m was allocated in respect of school improvement and school redundancy costs as follows:

* £0.961m on the basis of £2,000 per primary and secondary school/academy plus £1.78 per pupil to support school improvement services; and
* £0.843m on the basis of £8.76 per pupil to fund school redundancy costs.

The above sums were allocated on a one off basis outside of the MFG regulations and an application needs to be made to the DfE to remove this funding from schools’ baseline 2018-19 budgets in order to avoid triggering additional entitlements to MFG support.

2.2 Minimum Per Pupil Funding

The National Funding Formula (NFF) will provide local authorities with per-pupil funding of at least £3,500 for each primary school and £4,800 for each secondary school in 2019-20, the figures being based on the schools’ total core funding. The NFF will provide for a transitional amount of £3,300 for primary schools and £4,600 for secondary schools in 2018-19.

The total core funding referred to above is the sum of each school’s pupil led budgets (AWPU, deprivation, low prior attainment and English as an additional language) plus school led budgets (lump sum and sparsity.) Local authorities can choose to include a new minimum per pupil factor in their formula to allow them to implement this policy locally. Derbyshire’s mainstream consultation proposes to include this factor from April 2018 using the £3,300 and £4,600 per pupil thresholds.

The DfE’s default position is that local authorities should calculate the minimum per pupil level on the basis of the school’s total funding, should they wish to vary this a disapplication request will need to be made.

The difference between the DfE’s default position and the NFF calculation which drives the allocations to LAs, is that the former includes premises factors (rates, split site, mobility, PFI and growth funding).

The Authority would wish to vary the minimum per pupil calculation in the local formula to mirror that used to calculate the Schools Block for several reasons:

1. It is sensible to allocate funding broadly in line with the basis on which it has been allocated to the LA, this is essentially what the Authority’s mainstream formula proposals aim to achieve;
2. The inclusion of premises factors means that some schools that would otherwise qualify for support might be excluded e.g. schools on a split site or those which are subject to a PFI contract;
3. Schools with very similar characteristics but with a different legal status would receive different amounts of funding. Specifically voluntary aided, foundation and academy schools, would be more likely to attract support as their rates funding is much lower, as their rates costs are reduced by 80% due to the impact of mandatory rate relief. The reduced rates budget depresses the overall per pupil budget calculation thus increasing the chance of the school attracting minimum funding support.

An identical community or voluntary controlled school, which would be ineligible for rate relief, would have higher a higher per pupil budget and be less likely to attract minimum per-pupil funding. It would be inequitable for one class of school to attract funding over another when there is no difference in net spending power.

The Schools Forum support is sought to align the basis for the minimum per pupil funding in the NFF with that used to allocate funding locally.

1. Background Papers

Held in Children’s Services Finance

1. Strategic Director’s Recommendation

That the Schools Forum:

1. Supports the Authority’s disapplication request to exclude the items in section 2.1 from the 2018-19 MFG calculation; and
2. Supports the Authority’s disapplication request to exclude premises factors in calculating the per-pupil minimum funding threshold in Derbyshire’s 2018-19 funding formula as set out in section 2.2.

**JANE PARFREMENT**

**Strategic Director for Children’s Service**